

NPC Tech ApS
Smedeholm 13 A, 1. th.
2730 Herlev
Business Registration No
36052651

Annual report 2017

The Annual General Meeting adopted the annual report on 29.05.2018

Chairman of the General Meeting

Name: Regnar Ingwersen Paaske

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Entity details

Entity

NPC Tech ApS
Smedeholm 13 A, 1. th.
2730 Herlev

Central Business Registration No (CVR): 36052651

Registered in: Herlev

Financial year: 01.01.2017 - 31.12.2017

Board of Directors

Mickey Pierre Madsen, Chairman
Jørgen Vilhelm Løvenørn Bardenfleth
Richard Breiter
Michael Andreas Esbern Andersen

Executive Board

Mickey Pierre Madsen
Regnar Ingwersen Paaske

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of NPC Tech ApS for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Herlev, 22.05.2018

Executive Board

Mickey Pierre Madsen

Regnar Ingwersen Paaske

Board of Directors

Mickey Pierre Madsen

Jørgen Vilhelm Løvenørn
Bardenfleth

Richard Breiter

Chairman

Michael Andreas Esbern
Andersen

Independent auditor's report

To the shareholders of NPC Tech ApS

Opinion

We have audited the financial statements of NPC Tech ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Independent auditor's report

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 22.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR)
33963556

Christian Sanderhage
State-Authorised Public Accountant
Identification No (MNE) mne23347

Martin Bødker Ravn
State-Authorised Public Accountant
Identification No (MNE) mne40038

Management commentary

Primary activities

NPC Tech ApS' purpose is to research, develop and produce power supplies with a breakthrough technology. The Company develops cutting-edge power supplies with the expectation to set new standards for power conversion in billions of everyday products starting with LED lights. The innovative technology platform is set to enable five times smaller power supplies, double the lifetime compared to existing technology, and to offer various other benefits.

Through its fully owned subsidiary Nordic Power Converters Aps, the Company works closely with its LED lighting business partners to provide them with competitive advantages and benefits for the end-customers in the form of better design, lower cost of ownership, and higher reliability.

Development in activities and finances

The team consists of 10 employees plus interns, PhDs and consultants and comprise globally unique knowledge in very high frequency power supplies. The Company had its first patents issued and filed additional patent applications in 2017 to strengthen its portfolio. Further, the Company delivered its first CE certified power supplies for the LED lighting market (LED drivers) and has continued to develop prototypes and technology building blocks to enable optimisation of products and solutions. In the second half of 2017, the Company shifted its focus from outdoor to indoor lighting.

NPC Tech ApS continues and extends the work in several publicly and privately supported and partly funded R&D projects supporting the Company's technology and product roadmap.

We refer to note 1, in which the material preconditions relating to the continued operations of the Company are described.

Events after the balance sheet date

In March 2018, the Company completed an investment session with existing shareholders contributing DKK 3.9m additional equity funding for its activities. No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Gross profit/loss		648.350	(973.294)
Staff costs	2	(5.003.028)	(6.509.130)
Depreciation, amortisation and impairment losses		<u>(168.725)</u>	<u>(416.996)</u>
Operating profit/loss		(4.523.403)	(7.899.420)
Income from investments in group enterprises		39.983	(23.034)
Other financial income		56.016	4.121
Other financial expenses		<u>(62.602)</u>	<u>(125.416)</u>
Profit/loss before tax		(4.490.006)	(8.043.749)
Tax on profit/loss for the year	3	<u>1.067.600</u>	<u>1.602.776</u>
Profit/loss for the year		<u>(3.422.406)</u>	<u>(6.440.973)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(3.422.406)</u>	<u>(6.440.973)</u>
		<u>(3.422.406)</u>	<u>(6.440.973)</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Acquired licences		12.657	37.975
Intangible assets	4	12.657	37.975
Other fixtures and fittings, tools and equipment		1.084.327	936.486
Property, plant and equipment	5	1.084.327	936.486
Investments in group enterprises		66.949	26.966
Deposits		104.012	101.475
Fixed asset investments	6	170.961	128.441
Fixed assets		1.267.945	1.102.902
Trade receivables		0	409.759
Receivables from group enterprises		147.675	0
Other receivables		1.083.068	1.001.622
Joint taxation contribution receivable		1.067.600	1.602.776
Prepayments		122.019	137.116
Receivables		2.420.362	3.151.273
Cash		393.003	4.094.268
Current assets		2.813.365	7.245.541
Assets		4.081.310	8.348.443

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK</u>
Contributed capital		123.988	123.988
Retained earnings		<u>(1.757.329)</u>	<u>1.665.077</u>
Equity		<u>(1.633.341)</u>	<u>1.789.065</u>
Finance lease liabilities		<u>358.219</u>	<u>513.872</u>
Non-current liabilities other than provisions	7	<u>358.219</u>	<u>513.872</u>
Current portion of long-term liabilities other than provisions	7	160.290	184.671
Bank loans		17.687	14.470
Prepayments received from customers		89.304	0
Trade payables		477.109	556.383
Payables to group enterprises		0	167.192
Other payables		713.436	801.162
Deferred income		<u>3.898.606</u>	<u>4.321.628</u>
Current liabilities other than provisions		<u>5.356.432</u>	<u>6.045.506</u>
Liabilities other than provisions		<u>5.714.651</u>	<u>6.559.378</u>
Equity and liabilities		<u>4.081.310</u>	<u>8.348.443</u>
Going concern	1		
Unrecognised rental and lease commitments	8		
Contingent liabilities	9		
Assets charged and collateral	10		

Statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Total DKK
	<u> </u>	<u> </u>	<u> </u>
Equity beginning of year	123.988	1.665.077	1.789.065
Profit/loss for the year	<u> 0</u>	<u> (3.422.406)</u>	<u> (3.422.406)</u>
Equity end of year	<u> 123.988</u>	<u> (1.757.329)</u>	<u> (1.633.341)</u>

Notes

1. Going concern

The Company has various attractive demonstrators, its first product is on the market, and focus is shifting to marketing of solutions and products. It is Management's expectation that the current activities will begin generating steady and increased revenue in the second half of 2018.

A share capital increase from existing investors of a total of DKK 3.9m was completed on 23 March 2018, and Management expect to attract additional DKK 2m from new investors to enable additional activities.

According to Management, the available cash is sufficient to ensure the Company's continued operations, albeit additional funding may be required if revenue expectations are not met.

	2017	2016
	DKK	DKK
2. Staff costs		
Wages and salaries	4.877.430	6.295.881
Other social security costs	63.063	76.871
Other staff costs	62.535	136.378
	5.003.028	6.509.130
Average number of employees	10	12

	2017	2016
	DKK	DKK
3. Tax on profit/loss for the year		
Current tax	0	(1.602.776)
Adjustment concerning previous years	(81.235)	0
Refund in joint taxation arrangement	(986.365)	0
	(1.067.600)	(1.602.776)

Notes

	Acquired licences DKK
	<u>DKK</u>
4. Intangible assets	
Cost beginning of year	75.950
Cost end of year	<u>75.950</u>
Amortisation and impairment losses beginning of year	(37.975)
Amortisation for the year	<u>(25.318)</u>
Amortisation and impairment losses end of year	<u>(63.293)</u>
Carrying amount end of year	<u>12.657</u>
	Other fixtures and fittings, tools and equipment DKK
	<u>DKK</u>
5. Property, plant and equipment	
Cost beginning of year	1.357.142
Additions	314.597
Disposals	<u>(23.349)</u>
Cost end of year	<u>1.648.390</u>
Depreciation and impairment losses beginning of year	(420.656)
Depreciation for the year	<u>(143.407)</u>
Depreciation and impairment losses end of year	<u>(564.063)</u>
Carrying amount end of year	<u>1.084.327</u>
Recognised assets not owned by entity	<u>752.257</u>

Notes

	Investments in group enterprises	Deposits
	DKK	DKK
6. Fixed asset investments		
Cost beginning of year	50.000	101.475
Additions	0	2.537
Cost end of year	50.000	104.012
Impairment losses beginning of year	(23.034)	0
Share of profit/loss for the year	39.983	0
Impairment losses end of year	16.949	0
Carrying amount end of year	66.949	104.012

	Registered in	Corporate form	Equity interest %
Investments in group enterprises comprise:			
Nordic Power Converters ApS	Herlev	ApS	100,0

	Due within 12 months	Due within 12 months	Due after more than 12 months
	2017	2016	2017
	DKK	DKK	DKK
7. Liabilities other than provisions			
Finance lease liabilities	160.290	184.671	358.219
	160.290	184.671	358.219

	2017	2016
	DKK	DKK
8. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	104.012	253.687

Notes

	2017	2016
	DKK	DKK
9. Contingent liabilities		
Recourse and non-recourse guarantee commitments	0	1.057.920
Contingent liabilities in total	0	1.057.920

The Entity participates in a Danish joint taxation arrangement in which Madsen Invest IVS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

10. Assets charged and collateral

A floating charge of a total amount of DKK 750k has been provided as security for the Group's balances with its bank in accordance with section 47c of the Danish Registration of Property Act.

The carrying amount of mortgaged assets is DKK 1,097k.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of sales, other operating income and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Accounting policies

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net exchange gains on transactions in foreign currencies as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, net exchange losses on transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc. comprise acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
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Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Joint taxation contributions receivable or payable

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Accounting policies

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.